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Determinants of foreign direct investments: Evidence from brics

Kotenkova S., Larionova N., Varlamova J.

Kazan Federal University, 420008, Kremlevskaya 18, Kazan, Russia

Abstract

To date, the countries of the BRICS (Brazil, Russia, India, China and South Africa) have the highest economic growth rates among the developing countries and countries with economies in transition, as well as a growing influence on the world stage. Their economies are largely complementary. The purpose of the study is to identify the major factors that affect the Foreign direct investment. The objects are the BRICS countries. We use the index and regression analysis to confirm the hypothesis about the impact of infrastructure and socio-economic factors on FDI. The index method allows grouping the socio-economic indicators in the key areas that makes it possible to conduct a comprehensive analysis of FDI. The following indicators have been proposed in the study: market capacity indicators, financial development indicators, infrastructure development indicators, human resources indicators, technological development indicators. The analysis allows revealing the factors that affect the flow of investments, and dividing countries on the basis of their investment attractiveness. Regression analysis allowed building models on the basis of the relevant integral indices. The results of the study have allowed us to identify the main factors influencing FDI what should be considered when carrying out the economic and investment policy.

Keywords

BRICS, Financial development, Foreign direct investment, Investment attractiveness